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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 9360

LIMITED OFFICIAL USE SECTION 1 OF 4 HELSINKI 2455

E.O. 11652: N/A

TAGS: ETRD, FI

SUBJECT: COUNTERVAILING DUTY INVESTIGATION - CHEESE

REF: A) STATE 269073; B) HELSINKI 2157

1. FINNISH REPLIES TO U.S. CHEESE QUESTIONNAIRE DATED NOV 6 RECEIVED BY EMBASSY NOV 7 AND MAILED TO US CUSTOMS REPRESENTATIVE BONN BY INTERNATIONAL MAIL SAME DAY, AS AGREED WITH HIM DURING VISIT HERE SEPT 16 (REF A). ACCORDING BONN, COPY OF REPLIES POUCHED TO TREASURY AS SOON AS RECEIVED (I.E. NOV 10).

2. REPLIES SENT UNDER COVER FOREIGN MINISTRY NOTE 57337 DATED NOV 6, 1975 WHICH REQUESTED EMBASSY TRANSMIT REPLIES TO TREASURY. EACH PAGE OF REPLIES WAS STAMPED QUOTE CONFIDENTIAL TREATMENT REQUESTED UNQUOTE. FULL TEXT OF REPLIES FOLLOWS:

3. QUOTE:

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ANSWERS TO QUESTIONNAIRE CONCERNING IMPORTED
CHEESE FROM FINLAND TO THE UNITED STATES

BEFORE ANSWERING THE QUESTIONS PRESENTED BY THE DEPARTMENT OF THE TREASURY THE GOVERNMENT OF FINLAND WISHES TO MAKE SOME SPECIFIC COMMENTS WHICH IN ITS OPINION HAVE A SPECIAL BEARING UPON THE PRESENT INVESTIGATION. THE GOVERNMENT OF FINLAND WISHES TO EMPHASIZE AT THE OUTSET THAT FINNISH DAIRY EXPORTS ARE NOT INTENDED TO HARM OR INJURE ANY DOMESTIC U.S. INDUSTRY. THE FINNISH FARM INCOME SYSTEM, INCLUDING CHEESE, IS AN EXCLUSIVELY INTERNAL MECHANISM WHICH IS DESIGNED TO MAINTAIN A SATISFACTORY STANDARD OF LIVING FOR THE FARMING POPULATION AND TO MEET THE DOMESTIC DEMAND FOR DAIRY PRODUCTS. THE SYSTEM FUNCTIONS REGARDLESS OF OCCASIONAL EXCESS PRODUCTION AND WOULD REMAIN IN FORCE EVEN IF NO AGRICULTURAL EXPORTS OCCURED AT ALL. THE SURPLUS, WHICH PERIODICALLY OCCURS IN DAIRY PRODUCTION AND WHICH IS EXPORTED TO A NUMBER OF COUNTRIES, IS NOT A RESULT OF EXPORT PROMOTION.

BACKGROUND

IN ORDER TO COMPREHEND THE PRESENT FARM INCOME SYSTEM, IT IS, HOWEVER, NECESSARY TO RECALL SOME BASIC FACTS AND BACKGROUND FEATURES IN FINNISH AGRICULTURAL POLICY. TRADITIONALLY AGRICULTURE HAS OCCUPIED A PREDOMINANT ROLE IN FINNISH SOCIETY AND IN FINNISH ECONOMY. AS LATE AS IN THE 1920'S TWO-THIRDS OF THE TOTAL POPULATION WERE EMPLOYED IN PRIMARY PRODUCTION, I.E. AGRICULTURE AND FORESTRY. INDUSTRIALIZATION IN FINLAND IS OF A COMPARATIVELY LATE ORIGIN; THE SHARE OF POPULATION EMPLOYED IN MANUFACTURING INDUSTRIES SURPASSED THAT OF THE FARMING POPULATION ONLY IN THE LATE 1950'S. AFTER THE SECOND WORLD WAR THE AGRICULTURAL SECTOR PERFORMED A NOVEL SOCIAL FUNCTION BY THE ABSORPTION OF THE BULK OF THE WAR-TIME SERVICEMEN AND BY THE RESETTLEMENT OF THE FARMING POPULATION FROM THE AREAS CEDED TO THE SOVIET UNION. DUE TO THE SMALLNESS OF THE FARMING UNITS THUS CREATED, MOSTLY HOMESTEADS, AGRICULTURAL PRODUCTION ON THEM HAS LIMITED OFFICIAL USE
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PROVED LESS VIABLE IN THE LONGER RUN; CONTINUED EFFORTS HAAVE THEREFORE BEEN MADE TO INCREASE THE CHARE OF POPULATION IN PROCESSING AND SERVICE INDUSTRIES IN THE POST-WAR PERIOD. AT THE SAME TIME IT HAS BEEN NECESSARY TO MAINTAIN THE REMUNERATIVENESS OF AGRICULTURAL PRODUCTION PARTICULARLY IN THE DEVELOPING BORDER AREAS IN NORTH AND THE EAST OF THE COUNTRY WHERE AGRICULTURE CONTINUES TO BE OF VITAL IMPORTANCE.

FINNISH AGRICULTURAL POLICY - AIMS AND CONSIDER-

TIONS

THE AIM OF FINLAND'S AGRICULTURAL POLICY IS TO BE SELF-SUFFICIENT IN THE PRODUCTS WHICH CAN BE PRODUCED AT A REASONABLE COST. AS TO MILK, THE OUTPUT OF WHICH HAS EXCEEDED DOMESTIC CONSUMPTION, THAT AIM HAS NECESSITATED RESTRICTIONS IN PRODUCTION. SINCE THE 1960'S, WHEN THE DISCREPANCY BETWEEN DOMESTIC PRODUCTION AND CONSUMPTION WAS ACCENTUATED, THE FOLLOWING MEASURES HAVE BEEN ADOPTED FOR THE RESTRICTION OF MILK PRODUCTION:

A) BY MEANS OF A SPECIAL PRICE POLICY, FACTORS OF AGRICULTURAL PRODUCTION HAVE BEEN CHANNELLED TO SUCH PRODUCTS THAT ARE CONSUMED IN THE DOMESTIC MARKET. THUS THE RELATIVE SHARE OF GRAIN AND MEAT PRODUCTION HAS GROWN AND THAT OF MILK PRODUCTION DECREASED.

B) A FARM RETIREMENT SCHEME WAS ADOPTED IN 1969. UNDER THIS SCHEME LAND UNDER CULTIVATION HAS BEEN REDUCED BY ABOUT 200,000 HECTARES. THE STATE PAYS COMPENSATION TO FARMERS WHO CONTRACT TO TAKE THEIR FIELDS OUT OF CULTIVATION FOR A CERTAIN PERIOD OF TIME.

C) IN PARTICULAR, IMPORTS OF PROTEIN FODDER HAVE BEEN CONSIDERABLY REDUCED IN ORDER TO LOWER MILK PRODUCTION.

D) A MARKETING CHARGE WAS LEVIED ON MILK.

E) TO REDUCE MILK PRODUCTION THE STATE PAID COMPENSATION FOR THE SLAUGHTERING OF COWS IN 1970. THE GOVERNMENT PROGRAM RESULTED IN THE SLAUGHTER OF LIMITED OFFICIAL USE
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50,000 ADDITIONAL HEADS OF CATTLE THAT YEAR.

THE MEASURES THUS TAKEN BY THE GOVERNMENT ARE A CONCRETE INDICATION OF ITS EFFORTS TO CORRECT THE IMBALANCE IN DOMESTIC PRODUCTION AND CONSUMPTION AND THUS TO REDUCE THE NEED FOR EXPORTING DIARY PRODUCTS INCLUDING CHEESE. THE RESTRICTION ON THE USE OF ARABLE LAND CAN BE CONSIDERED A SPECIALLY STRONG MEASURE IN THIS RESPECT. CORRESPONDING PROCEDURES TO CONTROL PRODUCTION HAVE ONLY BEEN UNDERTAKEN IN THE USA.

AS A CONSEQUENCE OF THESE MEASURES THE ANNUAL MILK PRODUCTION DECLINED BETWEEN 1964 AND 1974 BY ABOUT 18 PERCENT. DURING THE CURRENT YEAR PRODUCTION MAY FALL EVEN FURTHER, AND THE CONSIDERABLE REDUCTION IN THE NUMBER OF COWS SEEMS TO INDICATE THAT THE DOWNWARD TREND IN PRODUCTION WILL CONTINUE.

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 9361

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IN SPITE OF THE RESTRICTIVE MEASURES (MEASURES DESIGNED TO CUT) ON AGRICULTURAL PRODUCTION CAPACITY WHICH SO FAR HAVE BEEN TAKEN THERE HAS BEEN A CONTINUOUS NEED FOR EXPORTS OF SURPLUS BUTTER, POWDERED MILK AND CHEESE. GOVERNMENT PROVISIONS FOR AGRICULTURAL EXPORTS ARE THUS A NECESSITY AND THE MARKETING OF THE SURPLUS HAS BECOME A PART OF THE AGRICULTURAL PRICE SYSTEM IN FINLAND. THE PRICE LEVEL WHICH IS NECESSARY FOR MAINTAINING THE REASONABLE INCOME LEVEL OF FARMERS CANNOT BE REACHED IF EXCESS PRODUCE CANNOT BE EXPORTED. FURTHERMORE, SINCE THE MILK PRICE PAID BY THE DAIRY PLANTS IS THE SAME FOR ALL DAIRY PROCESSING PLANTS ALL OVER FINLAND, NO DAIRY PRODUCT PRICE IS SUBSIDIZED BY CHARGES COLLECTED ON OTHER PRODUCTS AS IN SEVERAL OTHER COUNTRIES.

AN IMPORTANT FEATURE OF THE NATIONAL AGRICULTURAL POLICY IS TO PRESERVE THE LESS INDUSTRIALIZED DEVELOPING AREAS IN NORTHERN AND EASTERN FINLAND VIABLE AND POPULATED COMMUNITIES. DUE TO CLIMATIC AND GEOGRAPHIC CONDITIONS MILK REMAINS THE MOST NATURAL LINE OF PRO-
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DUCTION IN THOSE AREAS, WHICH IN 1974 ALONE PRODUCED 53 PERCENT OF THE TOTAL MILK OUTPUT. IN ORDER TO PROMOTE THE ECONOMY OF REMOTE AREAS THE STATE COMPENSATES FOR THE HIGHER PRODUCTION COSTS IN THE DEVELOPING AREAS BY DIFFERENTIATING MILK PRICES REGIONALLY. IT SEEMS INEVITABLE THAT DIFFICULTIES IN THE MARKETING OF EXCESS DAIRY PRODUCE WOULD BE STRONGLY REFLECTED IN THE DEVELOPING AREAS AND REINTENSIFY THE RATE OF MIGRATION FROM NORTHERN AND EASTERN FINLAND, BECAUSE ALTERNATIVE LINES OF PRODUCTION ARE NOT TO BE FOUND THERE.

FINNISH CHEESE IN THE MARKET OF THE UNITED STATES

WITH REGARD TO CHEESE EXPORTS TO THE UNITED STATES IT MUST BE NOTED THAT THE EXPORTS OF FINNISH EMMENTHALER, OUR PRIMARY EXPORT CHEESE TO THE U.S., ARE DECLINING. IN 1973, 12,963,309 POUNDS OF EMMENTHALER CHEESE WERE EXPORTED BY FINLAND TO THE UNITED STATES. IN 1974, THIS AMOUNT WENT DOWN TO 12,758,596 POUNDS AND THUS FAR IN 1975 THE DECREASE IS EVEN GREATER. DURING THE FIRST SIX MONTHS OF 1975, FINNISH EXPORTS OF EMMENTHALER TO THE U.S. TOTALLED 3,707,266 POUNDS; A DECLINE OF 35.2 PERCENT IN COMPARISON TO THE FIRST SIX MONTHS OF 1974. THE DECLINE IN 1974 FOR FINNISH EMMENTHALER EXPORTS TO THE U.S. IS EVEN MORE SIGNIFICANT, BECAUSE IN 1974 THE TOTAL U.S. IMPORTS OF EMMENTHALER ROSE FROM 49,486,672 POUNDS IN 1973 TO 63,823,142 POUNDS. THUS WHILE EMMENTHALER EXPORTS IN GENERAL WERE INCREASING TO THE UNITED STATES IN 1974, FINNISH EXPORTS TO THE U.S. DURING THE SAME PERIOD WERE DECREASING.

DURING THE LAST THREE YEARS THE PRICES OF THE MAJOR FINNISH EXPORT CHEESE, EMMENTHALER, HAVE ALMOST DOUBLED IN THE U.S. IN 1972 WHEN PROFESSOR GRAFF WROTE HIS WELL-KNOWN REPORT OF THE FINNISH CHEESE INDUSTRY, FINNISH EMMENTHALER CUTS SOLD TO THE U.S. AT 66.5 CENTS, BLOCKS AT 54.5 CENTS AND WHEELS AT 50.5 CENTS PER POUND. THUS FAR IN 1975 ALONE THE PRICE OF FINNISH EMMENTHALER HAS RISEN THREE TIMES AS CAN BE SEEN FROM THE FOLLOWING TABLE, WHICH SHOWS EMMENTHALER PRICES IN DOLLARS PER POUNDS.

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THALTER PRICES IN DOLLARS PER POUNDS.

BLOCKS WHEELS CUTS

BEG. OF 1975 \$0.76 \$0.76 \$0.92

FEB 25 \$0.93 \$0.83 \$0.96

JUNE 12 \$0.93 \$0.88 \$1.02

JULY 28 \$0.98 \$0.88 \$1.07

THE SHARE OF CUTS AMOUNTED TO 77 PERCENT OF THE TOTAL FINNISH EMMENTHALER EXPORTS TO THE UNITED STATES DURING THE FIRST EIGHT MONTHS OF 1975. THE SHARE OF BLOCKS WAS 22 PERCENT AND THAT OF WHEELS ONE PERCENT OF THE TOTAL. FINNISH EMMENTHALER CONSISTENTLY SELLS FOR MORE THAN COMPARABLE U.S. PRODUCTS AND CANNOT THEREFORE IN THE FINNISH VIEW, FOR THIS REASON ALONE, BE CONSIDERED A THREAT TO DOMESTIC U.S. PRODUCTS.

FINNISH TRADE WITH THE UNITED STATES

THE PROPOSED EXAMINATION OF THE FINNISH CHEESE EXPORTS AND THE POSSIBLE CONCLUSIONS IT MIGHT LEAD TO, SHOULD, IN THE VIEW OF THE FINNISH GOVERNMENT FURTHERMORE BE CONSIDERED AGAINST THE BROADER BACKGROUND OF FINLAND'S OVERALL TRADE WITH THE UNITED STATES.

BECAUSE OF ITS DEPENDENCE ON FEW NATURAL RESOURCES THE PRODUCTION STRUCTURE IN FINLAND LACKS DIVERSITY. IN ORDER TO BE ABLE TO IMPORT THE VITAL GOODS THAT IT NEEDS FINLAND CAN EXPORT A VERY LIMITED VARIETY OF COMMODITIES - CONSEQUENTLY FINLAND IS UNUSUALLY VULNERABLE TO CHANGES IN THE ECONOMIC ACTIVITY IN THE BUYER COUNTRIES.

IT HAS BEEN A COURSE OF CONTINUOUS CONCERN FOR THE FINNISH AUTHORITIES TO NOTE THAT COMPARED TO THE GENERAL DEVELOPMENT OF FINLAND'S FOREIGN TRADE ITS EXPORTS TO THE UNITED STATES HAVE DEVELOPED LIMITED OFFICIAL USE

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UNFAVORABLY.

THE EXPORTS OF OUR WOOD PROCESSING INDUSTRY, CHEMICAL INDUSTRY AND TEXTILE INDUSTRY WHICH ACCOUNT FOR ABOUT TWO-THIRDS OF OUR TOTAL COMMODITY EXPORTS TO THE UNITED STATES HAVE SHOWN A DECLINING TREND IN THE LAST TEN YEARS. EVEN THE METAL INDUSTRY HAS BEEN STAGNATING. DURING THE LAST 10 YEARS THE SHARE THE UNITED STATES HAS ABSORBED OF VHTHE EXPORTS OF OUR

WOOD PROCESSING INDUSTRY HAS DECLINED FROM OVER 6 PERCENT TO SOME 2 AND A HALF PERCENT, OUR CHEMICAL INDUSTRY EXPORTS FROM ALMOST 18 PERCENT TO SOME 4 PERCENT AND THAT OF THE TEXTILE INDUSTRY FROM 7 TO 2 PERCENT.

MEANWHILE FINNISH IMPORTS FROM THE UNITED STATES HAVE TENDED TO BE LARGER THAN FINNISH EXPORTS. AFTER THE OIL CRISES WHEN THERE WAS A GENERAL FEAR OF AN ESCALATION OF PROTECTIONIST MEASURES PARTICULARLY FROM THE PART OF SMALLER OECD-COUNTRIES HARDEST HIT BY THE QUADRUPLING OF PETROLEUM PRICES, FINLAND, BY CONTINUING AN EXPANSIONARY ECONOMIC POLICY AND THUS RUNNING INTO INCREASING CURRENT ACCOUNT DEFICITS I.A. WITH THE UNITED STATES SUPPORTED A POLICY DESIGNED TO REVIVE THE ECONOMIC ACTIVITY IN THE UNITED STATES AND OTHER LARGER INDUSTRIALIZED COUNTRIES.

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TO SECSTATE WASHDC 9362

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IN THE FIRST EIGHT MONTHS OF THE CURRENT YEAR, FOR EXAMPLE, OUR EXPORTS TO THE UNITED STATES IN VALUE TERMS WENT DOWN BY 26.5 PERCENT FROM THE CORRESPONDING PERIOD OF 1974. DURING THE SAME PERIOD IMPORTS

INCREASED BY 27.5 PERCENT.

ANY FURTHER MEASURES UNDERTAKEN TO CURTAIL FINNISH EXPORTS TO THE UNITED STATES, IN ANY PARTICULAR SECTION, WOULD NOT ONLY INCREASE THE GROWING IMBALANCE IN THE TRADE BETWEEN FINLAND AND THE UNITED STATES, BUT WOULD MAKE A REVISAL OF THE NEGATIVE OVERALL TRADE PATTERN BETWEEN THESE TWO COUNTRIES EVEN MORE DIFFICULT TO ATTAIN. TO ACHIEVE A NORMAL AND GROWING TRADE WITH THE UNITED STATES REMAINS A SERIOUS NATIONAL INTEREST ON THE PART OF FINLAND.

(1) HOW DAIRY PRICES ARE DETERMINED ANNUALLY IN FINLAND

THE PURPOSE OF THE AGRICULTURAL INCOME ACT IN FINLAND IS TO SECURE A REASONABLE INCOME TO THE FARMERS AND TO SATISFY THE DOMESTIC DEMAND FOR MILK AND DAIRY PRODUCTS. LIMITED OFFICIAL USE

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AS STATED ABOVE, AN EFFORT IS MADE TO AVOID OVER-PRODUCTION AND THEREFORE THE PRESENT PRICE SYSTEM WOULD REMAIN UNCHANGED EVEN IF NO SURPLUS EXISTED AT ALL.

THE AGRICULTURAL INCOME ACT FOR MILK AND MILK-BASED PRODUCTS WORKS ON AN ANNUALLY ESTABLISHED "TARGET PRICE". THE TARGET PRICE IS BASED ON THE VOLUME OF AGRICULTURAL PRODUCTION THE PREVIOUS CALENDAR YEAR AS WELL AS ON EXISTING DOMESTIC PRODUCER PRICES AND INPUT COSTS. FOR EXAMPLE, IF AGRICULTURAL INCOMES DECREASE FROM A PREVIOUS YEAR DUE TO COST RISES, THE TARGET PRICE MAY BE RAISED WITH THE HOPE THAT THE FARMER'S INCOME WILL BE STABILIZED AND WILL NOT CONTINUE TO DECLINE.

THE TARGET PRICES FOR MILK OF AVERAGE FAT CONTENT (4.3 PERCENT) HAVE BEEN AS FOLLOWS:

FMK/LITER

1.1.1973	0.6567
1.5.1973	0.7176
1.4.1974	0.800
1.9.1974	0.8767
1.9.1975	0.9267

AS A RAPID RISE IN PRODUCTION COSTS THREATENED TO RAISE CONSUMER PRICES CONSIDERABLY THE STATE INTRODUCED A SPECIAL DEFICIENCY PAYMENT ON A TEMPORARY BASIS FOR MILK IN 1974 TO MAINTAIN THE LEVEL OF DOMESTIC CONSUMPTION. AT THE MOMENT THE PAYMENT IS 22 PENNIES PER LITER FOR ALL MILK PRODUCTION IN FINLAND.

ALL CHEESE AND BUTTER PRODUCED BY THE DAIRIES IS SOLD TO THREE WHOLESALE DISTRIBUTORS WHICH REPRESENT THE ENTIRE DOMESTIC MARKET IN FINLAND. THE PRODUCTION SYSTEM DOES NOT ENVISION A SURPLUS; SHOULD ONE EXIST, IT IS THEN EXPORTED TO VARIOUS FOREIGN MARKETS. CONSEQUENTLY, THERE IS NO SPECIFIC WHOLESALE PRICE FOR EXPORTED CHEESE BUT ONLY A WHOLESALE PRICE FOR THE HOME MARKET IN FINLAND.

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DOMESTIC FINNISH WHOLESALE PRICE:
 (WHEELS AND BLOCKS) (CUTS)
 EMMENTHALER 9.55 FMK PER KILO 10.22
 LAPPI 8.62 FMK PER KILO
 TURUNMAA 10.07 FMK PER KILO

THE DAIRIES ARE PAID THE FOLLOWING:
 (WHEELS AND BLOCKS)
 EMMENTHALER 8.61 FMK PER KILO
 LAPPI 7.20 FMK PER KILO
 TURUNMAA 8.26 FMK PER KILO

PRICES FOR EXPORTS TO UNITED STATES AS OF SEPT 30, 1975:
 (C AND F USA)
 (WHEELS AND BLOCKS) (CUTS)
 EMMENTHALER \$0.98 PER LB. \$1.07 PER LB.
 LAPPI \$0.67 PER LB.
 TURUNMAA \$0.62 PER LB.

(2) ASSISTANCE TO DEVELOPING REGIONS IN NORTHERN
 AND EASTERN FINLAND

IN ORDER TO EQUALIZE THE DAIRY PRODUCTION COSTS ALL OVER THE COUNTRY THE STATE PROVIDES FOR MILK PRODUCTION ASSISTANCE AND MILK TRANSPORTATION EQUALIZATION PAYMENT AS WELL AS AN ADDITIONAL PRICE FOR MILK PRODUCED IN DEVELOPING AREAS.

THE FOLLOWING TABLE SHOWS THE MILK PRODUCTION ASSISTANCE IN RELATION TO THE CORRESPONDING QUANTITIES OF MILK IN DIFFERENT DISTRICTS IN 1973-1975 (MAP 1):

	QUANTITY OF MILK (1000 LITRES)	PRODUCTION ASSISTANCE (1000 FMK)	FMK/LITRE
1973			
DISTRICT I A	550	120	0.218
DISTRICT I B	27,762	3,538	0.127

DISTRICT II	166,302	15,290	0.092
DISTRICT III	542,765	26,514	0.049
DISTRICT IV	695,381	11,191	0.016

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DISTRICT V	7,548	303	0.040
TOTAL IA-V	1,440,338	56,957	0.040

TOTAL MILK
PRODUCTION 3,107,300 56,957 0.018

1974

DISTRICT IA	558	163	0.292
DISTRICT IB	27,873	4,255	0.153
DISTRICT II	165,964	18,690	0.113
DISTRICT III	558,638	36,157	0.065
DISTRICT IV	675,160	16,450	0.024
DISTRICT V	8,190	428	0.052
TOTAL IA-V	1,436,382	76,143	0.053

TOTAL MILK
PRODUCTION 3,062,000 76,143 0.025

1975

DISTRICT IA	578	184	0.320
DISTRICT IB	27,512	4,696	0.171
DISTRICT II	163,851	20,766	0.127
DISTRICT III	553,310	40,982	0.074
DISTRICT IV	668,653	19,415	0.029
DISTRICT V	8,101	461	0.057
TOTAL IA-V	1,442,005	86,506	0.061

TOTAL MILK
PRODUCTION 3,000,000 86,506 0.029

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FM AMEMBASSY HELSINKI

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IN 1973-75 THE ADDITIONAL PRICE FOR MILK IN DEVELOPING REGIONS HAS AMOUNTED TO 6.6 P. PER LITRE IN DISTRICT I, MAXIMUM QUANTITY PER FARM BEING 17,000 LITRES, AND IN DISTRICT II 3.3 P. PER LITRE FOR THE MAXIMUM OF 17,000 LITRES OF MILK (MAP 2).

MILK TRANSPORTATION COST EQUALIZATION PAYMENT HAS BEEN GRANTED TO DAIRIES IN ORDER TO COMPENSATE FOR MILK TRANSPORTATION AND THE COLLECTION EXPENSES IN THE COMMUNITIES FAR FROM THE PROCESSING PLANT. MILK TRANSPORTATION COST EQUALIZATION HAS BEEN PAID IN THE FOLLOWING WAY (MAP 3).

	QUANTITY OF MILK (1000 LITRES)	TRANSPORTATION COST EQUALIZATION PAYMENT (1000 FMK)
1973		
DISTRICT I	359,755	7,551
DISTRICT II	1,130,543	9,435
TOTAL	1,490,298	16,986

1974
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DISTRICT I	356,956	7,954
DISTRICT II	1,133,038	10,031
TOTAL	1,489,994	17,985

1975 (ESTIMATE)

DISTRICT I	354,000	8,800
DISTRICT II	1,121,000	11,200
TOTAL	1,475,000	20,000

(3) EXPORT PROGRAMS
FINLAND HAS NO SPECIAL PROGRAMS FOR THE EXPORT OF CHEESE.

(4) FINNISH CHEESE PRODUCTION AND EXPORTATION

PRODUCTION EXPORTS EXPORTS TO

(IN TONS) (IN TONS) THE U.S.

(IN TONS)

1973

EMMENTHALER	19,924	9,893	5,578
EDAM	20,782	2,305	-
PROCESSED CHEESE	10,828	7,882	858
OTHER VARIETIES	3,457	930	528

1974

EMMENTHALER	21,639	10,805	5,578
EDAM	21,151	1,890	-
PROCESSED CHEESE	12,133	8,790	733
OTHER VARIETIES	4,247	1,130	460

JANUARY-JUNE 1975

EMMENTHALER	8,924	4,026	1,772
EDAM	11,954	754	-
PROCESSED CHEESE	6,338	3,753	507
OTHER VARIETIES	2,341	500	232

CHEESE IS SOLD TO THE UNITED STATES ON C AND F
US-PORT-TERMS AND THE PRICE CONTAINS ONLY A COMMISSION
BUT NOT OTHER REBATES, GRANTS OR BOUNTIES.

(5) EXPORT SUPPORT FOR CHEESE RELATING TO

STATE BUDGET

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AS HAS BEEN POINTED OUT IN THE PREVIOUS CHAPTERS THE
AIM OF THE FINNISH GOVERNMENT IN THE DAIRY SECTOR
IS THE MAINTENANCE OF A REASONABLE SELF-SUFFICIENCY
RATE IN VARIOUS DAIRY PRODUCTS. DUE TO SURPLUSES,
OF A SEASONAL CHARACTER, SOME EXPORTS OF CHEESE,
BUTTER AND WHOLE MILK POWDER HAVE, HOWEVER, BEEN
NECESSARY. THE FIGURES MENTIONED IN THE FINNISH STATE
BUDGET AS BEING USED FOR CHEESE EXPORTS ARE MERELY AN
ESTIMATE, THE REALIZATION OF WHICH DEPENDS TO A CON-
SIDERABLE EXTENT ON CHANGES IN THE EXPORTS OF DIFFERENT
VARIETIES OF DAIRY PRODUCTS, ON PRICES IN OUR MAJOR
MARKETS ETC. CONCERNING CHEESE THE USE OF THESE
EXPORT REFUNDS HAS BEEN RELEVANT ONLY WITH REGARD TO
SOME OF THE CHEAPEST VARIETIES EXPORTED, MAINLY
PROCESSED CHEESE EXPORTS TO DEVELOPING COUNTRIES.

(6) AMOUNT OF FLUID MILK TO PRODUCE CHEESE

CHEESE PRODUCTION IN FINNISH DAIRIES IS BASED ON MILK
TESTING 4.3 PERCENT BUTTERFAT ON AN AVERAGE. EMMEN-

THALER PRODUCTION TESTING 48 PERCENT BUTTERFAT WILL YIELD 82 KILOS OF EMMENTHALER CHEESE, 12 KILOS OF BUTTER, 9 KILOS OF SKIM MILK AND 830 KILOS OF WHEY FROM 1000 KILOS OF MILK. LAPPI CHEESE PRODUCTION TESTING 45 PERCENT BUTTERFAT WILL RESPECTIVELY YIELD 94 KILOS CHEESE, 16 KILOS OF BUTTER, 10 KILOS OF SKIM MILK AND 830 KILOS OF WHEY FROM 1000 KILOF OF MILK. THE PRODUCTION OF TURUNMAA CHEESE WITH 50 PERCENT FAT CONTENT WILL YIELD 110 KILOS OF CHEESE, 4 KILOS OF BUTTER, 12 KILOS OF SKIM MILK AND 760 KILOS OF WHEY FROM 1000 KILOS OF MILK.

(7) INVESTMENT SUPPORT - LOW INTEREST LOANS
THE DAIRY PROCESSING PLANTS IN THE DEVELOPING AREAS HAVE BEEN GRANTED CREDITS ALTHOUGH TO A VERY LIMITED EXTENT, WITH A RATE OF INTEREST THAT IS ONE-HALF OF THE EFFECTIVE LENDING RATE. THIS KIND OF FINANCIAL ASSISTANCE GIVEN TO THE CHEESE DAIRIES FOR PLANT MODERNIZATION AND RELATED PRUPOSES TOTALLED 17,589,000 FMK IN 1973-75.

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CONCLUSION
THE GOVERNMENT OF FINLAND WISHES TO CONCLUDE BY STATING THAT THE FINNISH DAIRY PRICING SYSTEM CANNOT BE CONSIDERED TO AFFECT THE DAIRY INDUSTRY OF THE UNITED STATES. FURTHERMORE, THE PRICE OF FINNISH CHEESE IN THE UNITED STATES HAS CONSISTENTLY BEEN HIGHER THAN THAT OF CORRESPONDING U.S. PRODUCTS AND BOTH THE QUANTITY AND THE SHARE OF FINNISH CHEESE HAS DIMINISHED IN THE MARKET OF THE UNITED STATES WHILE THE U.S. CHEESE IMPORTS HAVE IN GENERAL INCREASED. IN VIEW OF THE ABOVE CONSIDERATIONS THE GOVERNMENT OF FINLAND HOPES THAT THE GOVERNMENT OF THE UNITED STATES DECIDES PRIOR TO DECEMBER 10, 1975 THAT THE CURRENT INVESTIGATION SHOULD BE DISCONTINUED. UNQUOTE.
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